REMARKS

Claims 1-38 are now pending in this application. Claims 1, 2, 12, 14, 17, 18, 25, 29, 34, and 38 have been amended to more clearly claim Applicants' invention. The following remarks are in response to the Office Action mailed December 17, 2004.

Claims 1-24 and 31-38 stand rejected under 35 U.S.C. § 102(e) as anticipated by U.S. Pat. App. Pub. No. US2003/0004859, to Shaw. This rejection is respectfully traversed.

Shaw teaches a system for identifying contraparties, but the method of Shaw differs from that of Applicants' claimed invention. Shaw teaches two methods for bringing contraparties together. In the first method ("intermediated negotiation"), a salesperson talks to a potential buyer and a potential seller and helps them negotiate a mutually-acceptable price. In the second method ("direct negotiation"), the system identifies two contraparties to each other, then they negotiate directly with other. A serious problem in this area is the potential for "gaming": once a participant receives information regarding a contraparty, the participant can withdraw from the negotiation and use that information to the contraparty's detriment. This problem is discussed in greater detail in Applicants' specification, beginning at page 1, line 29.

Shaw recognizes the above problem to some extent, and proposes using a "bond" (see par. 0176) to reduce the likelihood of a party withdrawing from a negotiation after a "synapse" ("the occurrence of matching counter-side interest indications" – see par. 0021). However, Applicants' claimed invention uses a different approach from that taught by Shaw.

In Applicants' claimed invention, only an electronically executable order from a first participant (as opposed to a mere indication of interest) initiates the step of identifying potential contras according to confidential information received from the potential contras. The first market participant thus does not get to see potential contras without committing to a trade if appropriate contras are found. On the other side, potential contras do not see the first participant's identity at all – they only accept or reject the routed order (or a portion thereof). Thus, potential contras provide their confidential information to the system only in order to attract orders – that confidential information is never provided to other market participants.

In contrast, Shaw teaches introducing market participants to each other, thus forcing each participant to lose anonymity in order to complete a trade. Moreover, if negotiations break down after the parties are introduced, both parties are free to leave the deal without forfeiting the "bond." And once that occurs, each party has lost anonymity (and thus subjected themselves to

the risk of the other party using that information to manipulate the market) without accomplishing a trade.

In other words, Shaw teaches a system for matching indications of interest, but Shaw's system, unlike Applicants' claimed system, is not linked to an order execution system, and thus is more vulnerable to gaming strategies.

Although Applicants believe that the originally-filed claims accurately distinguish over Shaw ("order" is used in claim 1, for example, not "indication of interest"), claim 1 has been amended to more clearly emphasize differences with the teachings of Shaw.

In any event, Shaw does not teach linking with an order execution system – Shaw only discusses indications of interest – so Shaw cannot teach the claim 1 limitation of routing a firm order to a second market participant.

Moreover, Shaw teaches disclosing buyers and sellers to each other, so Shaw cannot teach limitation (d) of claim 1 (as currently amended). Although the identities of the parties are not disclosed initially, they are disclosed once a match (i.e., a "synapse") has occurred (see, e.g., Shaw, at paragraphs 0048, 0170, and 0176). As explained above, this disclosure is problematic: if the parties don't negotiate a deal, either party is free to "fade."[1] Applicants' invention solves this problem.

The Office Action asserts that Shaw teaches routing an order at "p.4, 50 and p.9, 162 to p.10, 177." Applicants respectfully disagree.

Shaw does not mention routing an <u>order</u> to a second participant. An indication of interest is not an order. Indeed, unless the parties negotiate successfully, no order occurs in Shaw's method. But even when the negotiation is successful, Shaw does not teach routing a firm order from a first participant to a second, potential counterparty participant, as required by claim 1.

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[1] Although Shaw teaches, at par. 0176, "posting a non-performance penalty bond or earnest money deposit which shall go to the contra-party to a synapse if the other party fails to perform (enter into negotiations) after a synapse," this is merely a penalty for failure to negotiate – <u>it doesn't actually force either party to negotiate, and there is no requirement that the negotiation be in good faith</u>.

Thus, Shaw does not teach the invention of claim 1. Indeed, Shaw specifically states (see paragraph 0174) that his invention does not contemplate firm orders: "[I]t is not the purpose of this system to negotiate, consummate, or execute a deal. . . . This system is not an execution system."

Further, in the invention claimed in claim 1, although the first participant may have his order shown to potential contras, the potential contras provide their data with the comfort that it will be used only to attract firm, executable orders. Although any of the potential contras could back away, the order preferably is routed to several potential contras, creating a competitive situation where one contra's decision to back away could cost him the opportunity to take the first participant's liquidity. This "one to many" approach protects the interests of the party who has placed a firm order (the first participant). In contrast, Shaw teaches only a one-to-one matching, which creates no competition among potential contras and thus does not protect a first participant as does the invention of claim 1.

In light of the above, it should be clear that claim 1 and dependent claims 2-24 are patentable over Shaw. Moreover, most of the additional limitations of dependent claims 2-24 are not taught by Shaw. For example, Shaw makes no mention of netting out middlemen, no mention of calculating total number of shares bought or sold by a buy-side party for which a trade was executed through one or more intermediaries, and no mention of calculating a probability of execution. The word "probability" occurs only once in Shaw, at par. 0010, and it is not used in the context of determining a likelihood of execution.

Applicants therefore respectfully request the Patent Office to reconsider and withdraw the pending rejections of claims 1-24.

Claim 31 is rejected as anticipated by Shaw, but the Office Action does not explain where in Shaw the limitations of claim 31 are believed to appear. In particular, the Office Action makes no mention of limitations (d) and (e) of claim 31: "(d) based on said received data regarding market participants, calculating an estimate of a probability of execution if the order were routed to market participants based on said query; and (e) electronically reporting said probability to said first market participant." Since the Office Action provides no ground for its rejection of claim 31, that claim and its dependent claims 32-33 should have been allowed.

Similarly, the Office Action does not identify any paragraph of Shaw that teaches the limitations of claim 34 – only the limitations of dependent claims 35-37 are mentioned. But

those claims are allowable if claim 34 is allowable, and claim 34 should have been allowed since its limitations are not taught by (or even asserted to be taught by) Shaw.

Claim 38, like claims 5-37, is alleged to be taught at paragraphs 0050, 0071-79, 0101, 0122-0142, and 0162-0177 of Shaw. Applicants respectfully submit that such blanket references are insufficient to provide them with notice of exactly which language in Shaw is alleged to teach the various limitations of claims 5-38. Applicants therefore respectfully request the Patent Office to provide proper notice of such allegations in all future actions in this case. That is, if the Patent Office actually believes, for example, that Shaw teaches the particular claim 31 limitations of "(d) based on said received data regarding market participants, calculating an estimate of a probability of execution if the order were routed to market participants based on said query; and (e) electronically reporting said probability to said first market participant," the Patent Office should be able to cite a specific paragraph (or two) of Shaw that teaches those limitations (as opposed to the 40-odd paragraphs cited in the present Office Action for each limitation).

Citing to a long string of 40-odd paragraphs for each claim limitation is unfair to Applicants for at least two reasons: (a) it forces Applicants to guess what the Patent Office is thinking (i.e., it fails to provide proper notice), and (b) it forces Applicants to engage in an unnecessarily broad, time-wasting "Yes it does say– no it doesn't say" argument with the Patent Office, instead of a series of well-reasoned discussions of what a particular individual paragraph or two of Shaw teaches.

In any event, the limitations of claim 38 are not taught by Shaw. In particular, Shaw does not teach "electronically receiving a firm order from a second market participant; routing said firm order to said first market participant at a time within a configurable time window surrounding one of said one or more call auction event times." As discussed above, if the Patent Office disagrees, Applicants respectfully request a precise, one-or-two-paragraph citation to the language of Shaw that the Patent Office believes teaches the above limitation – not a string of citations to 40-odd paragraphs that allegedly teach all the limitations of claims 5-38.

Claims 25-30 stand rejected under 35 U.S.C. § 103 as unpatentable over Shaw in view of Lupien. This rejection is respectfully traversed.

Claims 25-30 depend from claim 1, and the 103 rejection of those claims relies upon the Patent Office's assertion that claim 1 is taught by Shaw. As explained above, that assertion is incorrect, so the rejection of claims 25-30 is not supported.

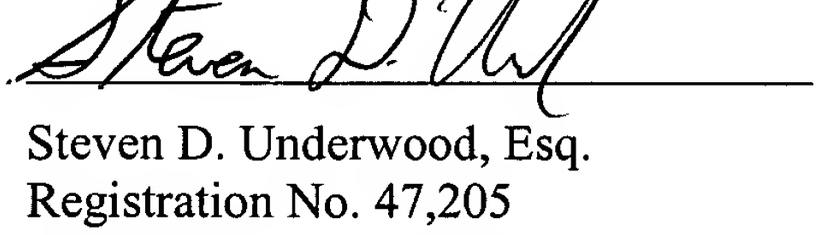
Moreover, Lupien teaches nothing about calculating probabilities or of ranking market participants on a dissemination list in order of likelihood of taking a contra side of an order. Columns 3 and 4 of Lupien merely describe a three-dimensional matrix whose coefficients are (price, size, satisfaction density profile). The satisfaction density profile values are input by a user ("trader")[2] – not calculated by the system,[3] and in particular not based on any sort of probability calculated by the system. Consequently, the Office Action is incorrect in its characterizations of both Lupien and Shaw, and the rejection of claims 25-30, since it is based on those mischaracterizations, should be withdrawn.

All claim rejections are believed to have been overcome by this Response. All pending claims are therefore believed to be allowable, and a prompt Notice of Allowance would be appreciated.

No fee (other than the one-month extension fee authorized above) is believed due with this Response. However, please charge any required fee to Deposit Account No. 50-0310.

Respectfully submitted,

April 27, 2005



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2 See. e.g., Lupien, col. 3, line 65 through col. 4, line 14.

3 The system does calculate cross products and performs other calculations based on the matrix values provided by traders, but such calculations generally are simple additions and multiplications involving the matrix values – no probabilities are involved.